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Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

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Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.

This bulletin provides further clarification on the changes in the Retail Sales Tax Act presented by the Treasurer of Ontario in the Budget of May 13, 1982. It also provides information on technical and administrative changes in the Act.

If you require further information, please contact your local district office listed on the back page of this bulletin.

The details presented in this bulletin are intended only as a guideline. For specific applications you should refer to the Retail Sales Tax Act.

INFORMATION HIGHLIGHTS

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PHOTOGRAPHIC FILM

Effective January 1, 1983, commercial and portrait photographers who qualify as a manufacturer may purchase photographic film exempt from retail sales tax.

A photographer who produces over \$5,000 annually in photographic print sales qualifies as a manufacturer.

Previously, commercial and portrait photographers were allowed exemption on photographic film only if the exposed film (negatives, positives, prints) was sold and given to the customer. Where the photographer retained the exposed film, the film was subject to retail sales tax.



EXEMPTION FOR CUT NATURAL CHRISTMAS TREES

Effective May 14, 1982, the exemption for natural trees, shrubs, bushes, plants, etc., was removed. In effect, all retail sales of natural or artificial trees, plants, flowers, etc., are now subject to 7% retail sales tax.

Tax relief on the purchase of cut, natural evergreen trees for Christmas decoration is, however, provided by Order-in-Council. Such cut trees will be exempt from tax when purchased during the month of December each year. Artificial trees and other Christmas decorations remain subject to tax.



FILMS FOR EDUCATIONAL PURPOSES

Effective May 14, 1982, the exemption for motion picture films or videotapes certified by the National Film Board for educational purposes was removed.

Libraries, schools, school boards, and universities are now required to pay tax on their purchases of motion picture films or videotapes in a similar manner as they do for classroom supplies, unless the items are purchased for resale.

Religious, charitable, or benevolent organizations may purchase films, filmstrips, videotapes, and videodiscs exempt from retail sales tax provided the items are used to promote the objectives of the respective organizations.

Visual or audio productions recorded on motion picture film, videotape, audiotape, or phonograph record for exhibition or broadcast to the public in a theatre, cinema, through a radio or television station or pay television system continue to be exempt.



MUSIC MANUSCRIPT PAPER AND UNBOUND SHEET MUSIC

With the removal of the exemption for classroom supplies and student supplies in the Budget of May 13, 1982, sales of lined music manuscript paper either in sheets or in book form are now subject to 7% retail sales tax.

Printed music bound in book form is exempt from tax as an educational or technical book.

Unbound sheet music is subject to tax.



PUBLICATIONS OF RELIGIOUS, CHARITABLE OR BENEVOLENT ORGANIZATIONS

The following publications, used to promote religion or the objectives of a religious, charitable or benevolent organization, are exempt from retail sales tax:

- a) church calendars, hymn and mass cards, photographs, paintings, drawings, mottoes and similar artwork produced solely for the promotion of religion including any plates made to produce printed materials;
- b) bibles, scriptures, missals, prayer books, hymn books, pamphlets, booklets and similar printed matter published solely for the promotion of religion;
- c) printed instructional materials purchased for use and not resale by a religious, charitable or benevolent organization; and
- d) films, filmstrips, videotapes and videodiscs purchased by a religious, charitable or benevolent organization and used to promote the objectives of the organization, and not for commercial exhibition or for profit.

The exemption is not extended to directories, price lists, time tables, rate books, catalogues, stationery, forms or any similar printed matter.

Items in (a) and (b) can be purchased exempt from tax by anyone, whereas items in (c) and (d) can be purchased exempt from tax only by a religious, charitable or benevolent organization.



RENTAL OF FIXTURES

In Budget Bulletin 2-82 dated May 13, 1982, it was announced that effective May 14, 1982, retail sales tax will no longer be applicable on rental charges for items such as hot water tanks, furnaces, central air conditioners, and machinery, that, after installation, are firmly attached to land, buildings or structures. Instead, retail sales tax is payable on the cost of these items at the time of purchase.

The following is to clarify the tax treatment of items (other than exempt production machinery) purchased exempt from tax prior to May 14, 1982, and either already installed or held in inventory for future installation.

Fixtures purchased prior to May 14, 1982, and either installed prior to that date, or previously installed for rental and subsequently removed and returned to inventory do not attract any tax.

Tax must be accounted for on the fair value of items as of May 13, 1982, purchased exempt and never installed for rental prior to May 14, 1982.



SOD GROWERS

Effective May 14, 1982, sod is subject to 7% retail sales tax. The following clarifies the tax treatment of sod when a grower:

- sells sod to individual consumers or landscape contractors;
- sells sod to nurseries or other sales outlets for resale to individual consumers;
- acts as a landscape contractor supplying and installing sod he has grown.

A sod grower should apply for a vendor permit unless all his sales are made to nurseries for resale.

When a grower sells sod to individual consumers or landscape contractors who install the sod, the grower should collect 7% tax on the selling price of the sod. Delivery charges are subject to tax unless identified separately and the purchaser assumes both title and risk of loss to the sod at the vendor's place of business.

Sales made to nurseries or other sales outlets for resale to individual consumers are exempt from retail sales tax. The nursery or other sales outlet should provide the grower with a purchase exemption certificate to support the exempt sale. Delivery charges on these exempt sales are not subject to tax.

When a grower installs the sod he has grown, he is acting as a landscape contractor. He must calculate and remit tax at the 7% rate on his produced cost of sod. In this instance, delivery charges are not subject to tax.

As a farmer, a grower may purchase tax-exempt the seeds for growing sod and any equipment used to grow and harvest the sod.



SALE TO STATUS INDIANS ON RESERVES

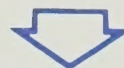
Since the inception of retail sales tax, status Indians living on reserves have been allowed to purchase taxable personal goods exempt from tax for consumption or use on reserves. Thus the removal of exemptions on a number of items in the May 13, 1982 Budget such as personal hygiene and household goods, energy conservation items, textiles, trees, shrubs, does not affect the special exemption accorded to status Indians. Vendors may continue to sell personal goods exempt from sales tax to status Indians.

To obtain the exemption, a status Indian must identify himself to the vendor by producing his Federal Identification Card.

There are some purchases by a status Indian which, by their very nature, are entirely consumed off the reserve and are taxable. Examples are:

- prepared food products
- price of admission over \$3.50
- transient accommodation
- personal goods, telephone and cable TV for premises maintained off a reserve.

Refer to Sales Tax Guide 149 for further information.



TAX CALCULATION ON MULTIPLE ITEMS FORMING ONE PURCHASE

Vendors are required to calculate tax separately on every purchase unless they are authorized to use tax-included pricing such as those making sales of prepared food products in eating establishments.

When several items are purchased as part of one transaction, the total of the purchase is considered to be one purchase. In this instance, tax is calculated on the total amount of the transaction. It is incorrect to calculate tax separately on each item purchased.

In addition, the tax should be calculated to the nearest cent which means every fraction of one-half cent or more is counted as one cent, and every fraction of less than one-half cent is dropped.

The following example illustrates the correct tax calculation on a purchase of several taxable items.

Example

Two soft drinks at 49 cents each are sold to a customer.

$$\begin{aligned} 49¢ \times 2 \times 7\% &= 6.86 \text{ cents} \\ &= \underline{7 \text{ cents}} \\ &\text{(rounded to nearest cent).} \end{aligned}$$



PURCHASE AND INSTALLATION OF PRODUCTION MACHINERY BY CONTRACTORS OR SUBCONTRACTORS

The exemption for production machinery and equipment is phrased in Section 5(1)45 of the Act to provide exemption not only to a manufacturer himself, but to other persons who are acquiring production machinery for use by the manufacturer in the production of goods — such as machinery purchased by contractors that upon installation becomes a fixture for use by the manufacturer as production machinery. The contractor thus can purchase the machinery exempt although he is technically the consumer of it when he installs it as a fixture.

To assist the contractor in determining whether or not the machinery qualifies for the exemption, the manufacturer should advise the contractor how the machinery will be used. If there is any doubt, the contractor should consult the local retail sales tax office, as the paying of any sales tax due will be the contractor's responsibility. The manufacturer cannot issue a purchase exemption certificate for the machinery supplied and installed by a contractor as fixtures.

If the machinery qualifies for the exemption, the contractor or subcontractor may issue a purchase exemption certificate to his supplier to purchase the machinery exempt from retail sales tax. He should tender the contract on a tax excluded basis.

If the machinery does not qualify for the exemption, the contractor or subcontractor should include retail sales tax in the contract price and pay tax on the machinery to his supplier.

For additional information, refer to Sales Tax Guides

No. 111 Production Machinery

No. 113 Real Property and Fixtures

These guides will be available at your local retail sales tax office in January, 1983.



NEW RETAIL SALES TAX OFFICE

A new retail sales tax office in Mississauga is now open to assist vendors and taxpayers in the regional municipalities of Peel and Halton, previously served by the Hamilton office. Vendors and taxpayers located in Port Credit, Clarkson, Streetsville, Brampton, Malton, Meadowvale, Acton, Caledon, Bolton and other towns and townships in Peel and Halton should now contact this office for information and assistance. Mr. Carl Westerback is the manager. The address is:

2 Robert Speck Parkway
Mississauga, Ontario
L4Z 1H8

Telephone Number: (416) 273-9490.

The opening of this office is part of the planned restructure of retail sales tax field offices to provide improved service to vendors and taxpayers and better utilization of human resources and computer technology.



NEW SALES TAX GUIDES

Following is a list of new Ontario Sales Tax Guides which includes recent changes in the Retail Sales Tax Act and administrative policies.

| Guide No. | Topic | Guide No. | Topic |
|---------------|--|---------------------------|---|
| Available Now | | Available in January 1983 | |
| 100 | Do You Need a Vendor's Permit? | 102 | Settler's Effects |
| 101 | How to Complete Your Tax Return | 107 | Trappers and Commercial Fishermen |
| 103 | Vendor Responsibilities | 111 | Production Machinery |
| 104 | Purchase Exemption Certificates | 112 | Manufacturing Contractors |
| 105 | Penalties | 116 | Mobile Caterers |
| 106 | Retail Sales Tax Refunds | 117 | Private Sales |
| 108 | Imported Goods | 118 | Vehicle: Tax Refunds for the Physically Handicapped |
| 109 | "Discover Ontario" Refunds | 119 | Food Products |
| 110 | Exemptions for Manufacturers — Consumables | 126 | Admissions |
| 113 | Real Property and Fixtures | 129 | Delivery Charges |
| 114 | Destruction of Records | 130 | Recreational Facilities |
| 115 | Automotive Repairers | 131 | Tax Refunds: Religious, Charitable and Benevolent Organizations |
| 120 | Labour Charges | 133 | Diplomats |
| 121 | Prepared Foods | 134 | Non-Resident Contractors |
| 122 | Snack Foods and Candies | 139 | Printing for Own Use |
| 123 | Tax-Included Pricing | 140 | Children's Clothing |
| 124 | Accommodation | 141 | Hospitals |
| 125 | Alcoholic Beverages | 142 | Schools and Universities |
| 127 | Exempt Items For the Disabled | 143 | Religious, Charitable and Benevolent Organizations |
| 128 | Rentals | 144 | Photographers |
| 132 | Motor Vehicle Transfers | 145 | Flooring Materials |
| 135 | Animals and Pets | 146 | Discount Coupons |
| 136 | Florists and Nurseries | 147 | Farmers |
| 137 | Flea Markets | 148 | Newspapers and Supplements |
| 138 | Books and Magazines | 149 | Status Indians |

Contact your local retail sales tax office for any of these guides. All old sales tax guides in your possession should now be destroyed.

The Ministry of Revenue will continue to add new guides and update current guides as necessary.

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA,
AS LISTED BELOW:

| | | | | | |
|------------------------|---|------------------------|---|--------------------|--|
| BELLEVILLE K8N 1E3 | 208 Dundas Street East 962-9108 Zenith 71820 | ORILLIA L3V 6K5 | 19 Front Street North P.O. Box 670 325-9587 Zenith 71830 | TORONTO M4P 1H6 | 2300 Yonge St. 10th Floor 487-1361 Zenith 71800 |
| HAMILTON L8N 3Z9 | 119 King Street West P.O. Box 2112 521-7504 Zenith 71440 | OTTAWA K1H 8K7 | 1355 Bank Street 523-9760 Zenith 71400 | WELLAND L3B 3Z7 | 76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368) Zenith 71410 |
| KITCHENER N2M 1N2 | 449 Belmont Ave. W. 576-8400 Zenith 71020 | SUDBURY P3E 5P9 | Ontario Government Bldg. 199 Larch St. 675-4351 Zenith 71850 | WINDSOR N9A 6V9 | 250 Windsor Ave. 252-4404 Zenith 71450 |
| LONDON N6C 4P4 | 310 Wellington Rd. S. 433-3901 Zenith 62350 | THUNDER BAY P7C 5G6 | 435 James Street South P.O. Box 5000 Ontario Government Bldg. 475-1681 Zenith 72310 | | |
| MISSISSAUGA L4Z 1H8 | 2 Robert Speck Parkway 273-9490 | | | | |
| NORTH BAY P1B 2H3 | 1500 Fisher Street Northgate Plaza 474-4900 Toll Free 1-800-461-1564 | | | | |